

Pension Board Training
Firefighter Pension Schemes
28th June 2016

Agenda

- Introduction and group session
- Introduction to the Fire Pension Schemes
- Firefighters Pension Fund
- Quiz
- Scheme Membership
- Roles and Responsibilities of a Pensions Board
- Protections
- Scheme Benefits
- Current and Future Issues
- Feedback and Quiz Answers

Group Discussion

- What training do individuals need to be effective Pension Board members?
 - What do you think are the responsibilities of a Pension Board member?
-

Introduction to the Firefighter Pension Schemes

Firefighter Pension Schemes

10 years ago



Firefighter Pension Schemes

Firefighters Pension Scheme 1992

- Open to regular firefighters
- 1/60th accrual rate
- Double accrual after 20 years
- Maximum service is 30 years
- Earliest retirement age 50
- Final Salary scheme
- Actuarial commutation factors
- Injury benefits
- Built in ill-health benefits/life cover
- Pension for Widow's/Children
- Deferred pension age 60



Firefighter Pension Scheme

Then in 2006.....



Firefighter Pension Scheme

Firefighters Pension Scheme 2006

- Open to regular and retained firefighters from 6th April 2006
- 1/60th accrual rate
- Maximum service 40 years
- Retirement age 60
- Earliest retirement age 55 (subject to rec)
- Final Salary Scheme
- Commutation based on 1 : 12 ratio
- Built in ill health benefits/life cover
- Pension benefits for Partners/Children
- Deferred pension age 65



Firefighter Pension Schemes

Firefighters Pension Scheme 1992

- Closed to new entrants from 6 April 2006
- Options Exercise

Firefighters Pension Scheme 2006

- Open to regular and retained Firefighters appointed after 6 April 2006
- New retirement age

Firefighters Pension Fund

- New notional funding mechanism

Firefighters Compensation Scheme

- Injury benefits removed from the pension scheme rules and a separate set of regulations were created
-

Firefighter Pension Schemes

Now.....



Originating SI's

- 1992 <http://www.legislation.gov.uk/ukxi/1992/129/sc>
- 2006 <http://www.legislation.gov.uk/ukxi/2006/3432/contents/made>
- Compensation Scheme
<http://www.legislation.gov.uk/ukxi/2006/3434/contents/made>
- Modified Scheme
<http://www.legislation.gov.uk/ukxi/2014/445/contents/made>
- 2015
<http://www.legislation.gov.uk/ukxi/2014/2848/contents/made> (main regs)
<http://www.legislation.gov.uk/ukxi/2015/589/contents/made> (transitional regs)



Firefighter Pension Schemes

Firefighters (Modified) Pension Scheme

- Ability for those retained who were excluded from a scheme from 2000 – 06 to join a scheme similar to the FRS 1992.
- Benefits reflect 1992 scheme (in part)
- Incorporated into 2006 scheme
- Accrual rate 1/45th
- Normal pension age 55
- Deferred pension age 60
- Built in ill health benefits/life cover
- Pension benefits for Partners/Children



The options exercise ended September 2015.

Firefighter Pension Schemes

Firefighters Pension Scheme 2015

- All members transferred in April 2015
- Transitional protections apply for existing members of 1992/2006 scheme
- Accrual rate 1/59.7ths
- Retirement Age 60
- Earliest retirement age 55 (subject to reduction)
- Career Average scheme
- Individual Pension accounts
- Deferred pension age equal to State Pension A



Governance

- Local Pension Boards to secure compliance
 - Increased documentation and policies
 - Training of Boards
 - Introduction of The Pensions Regulator
 - Record breaches not just report
 - Managing risks and internal controls
-

Overall effect of changes in the last ten years on the time spent on Pensions by HR and Finance Officers of Fire Authorities (Days a week)



Illustrative only

Scheme Comparison

Feature	1992 Scheme	2006 Scheme	Modified Scheme	2015 Scheme
Basis of pension	Final salary	Final salary	Final salary	(CARE)
Accrual rate	40/60ths 1/60 th (2/60 th after 20 years)	1/60 th	1/45 th	1/59.7 th
Benefit / Membership Cap	40/60 th	45 years	30 years	None
Revaluation rate	n/a	n/a	n/a	Average Weekly Earnings

Funding of Firefighter Pensions

Funding of Pensions

Areas to be Covered:

Overview:

Funded & Unfunded Pension Schemes

Local View:

Membership & Funding

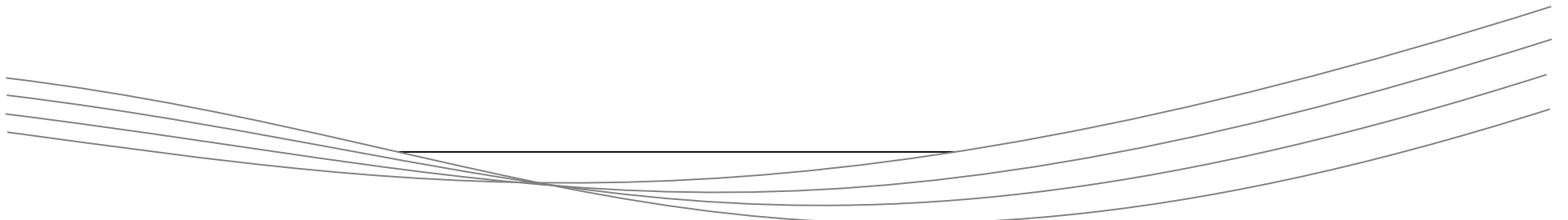
Overview:

Pension reforms & future funding

Funding of Schemes

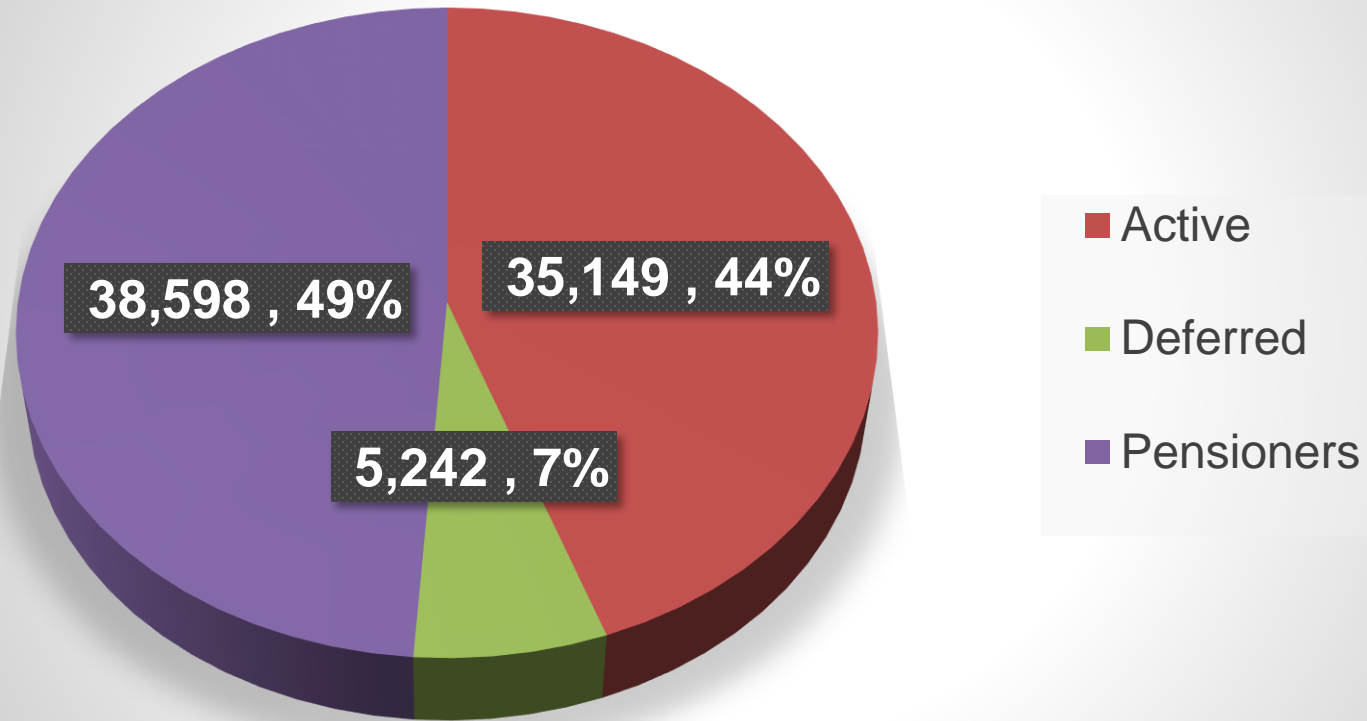
2 types of public service pension schemes:

- Funded
- Unfunded

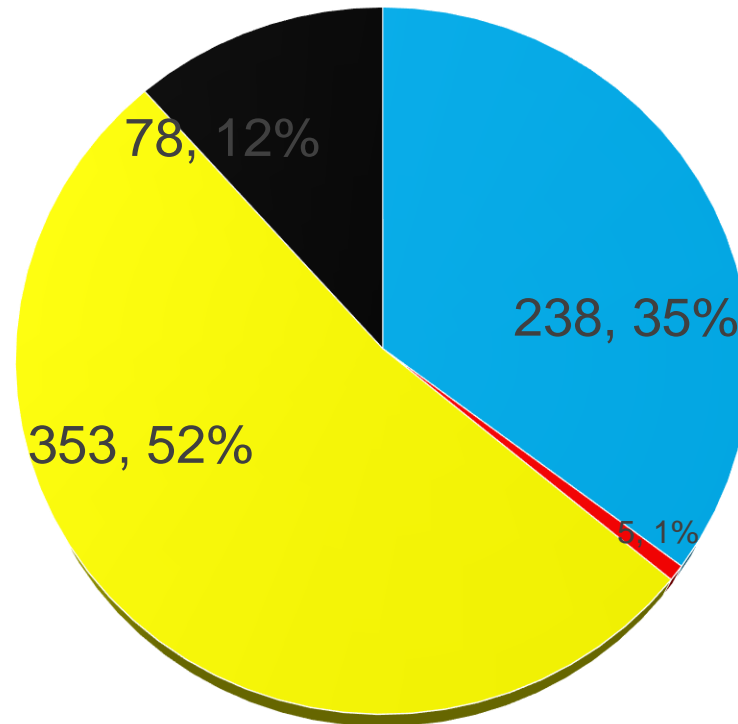


Scheme Membership

National Firefighter Scheme Membership



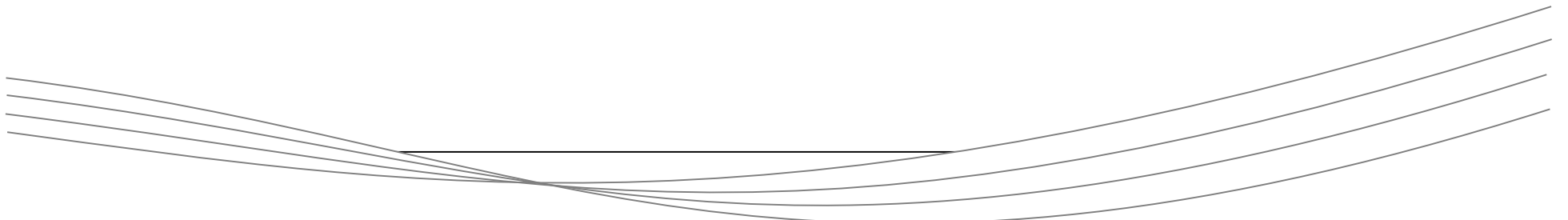
Local Active Membership



■ 1992 Scheme ■ 2006 scheme ■ 2015 scheme ■ No Scheme ■

Fire Pension Funds 1

- Pension fund accounting introduced April 2006
- Pension transactions separated from revenue budgets



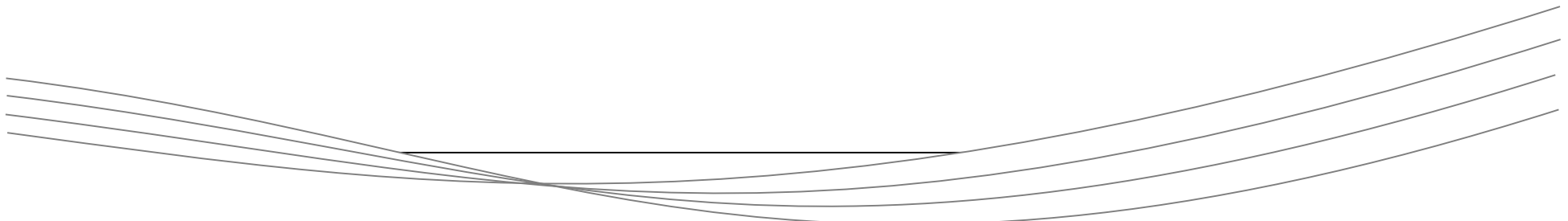
Fire Pension Funds 2

PENSION FUNDS 31st MARCH 2016	
	SYFR £k
<u>Pension Fund Income</u>	
Employee Contributions	-2,621
Employer Contributions	-3,495
Ill Health Retirement Contributions	-27
Repaid contributions	-44
Transfers In	-32
	-6,219
<u>Pension Fund Expenditure</u>	
Pensions	19,136
Lump sum retirement benefits	7,420
Transfers Out	343
	26,899
Deficit	20,680

Fire Pension Funds 3

PENSION FUND DEFICITS LAST 3 YEARS

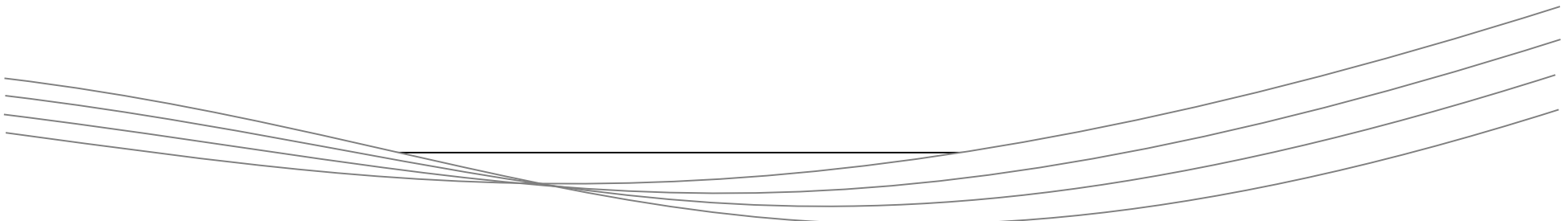
	SYFR
	£k
31st March 2016	20,680
31st March 2015	16,027
31st March 2014	15,374



The Hutton Review

Public Service Pensions should be:

- Affordable and Sustainable
 - Work longer
 - Career average
 - Tiered employee contributions
 - Cost cap





Scheme Membership



New Starters - Eligibility

Operational Staff – Firefighter’s Pension Scheme 2015

- Any person taking up employment as a firefighter with a Fire & Rescue Authority
 - Required to engage in firefighting
 - Role includes resolving operational incidents, or leading and supporting others in the resolution of such incidents.
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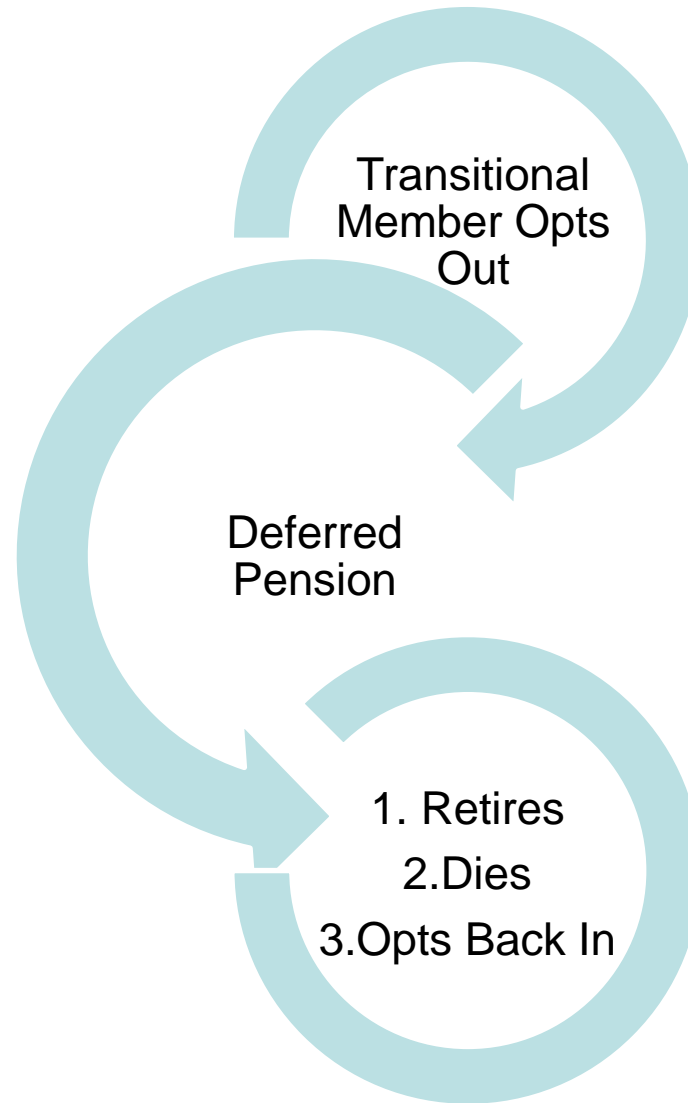


New Starters – Eligibility

Operational Staff – Firefighter’s Pension Scheme 2015

Firefighters serving before 1 April 2015 will have been transferred compulsorily to FPS 2015 on 1 April 2015 unless they qualified as protected or tapered.

Opt Out



Opting Out

- A person can opt out of the pension by providing an opt out form.
- The opt out takes effect from the next available pay period

FPS 2015

- If the person opts out within 3 months of joining their contributions are refunded via payroll

FPS 2006

- If the person opts out within 3 months of joining, their contributions are refunded via payroll. This no longer happens as all members will have been in for more than 3 months.

FPS MOD

- If the person opts out and has not completed their periodical payments for buying back membership they will be credited with what they have bought.

FPS 1992

- If the person opts out within 2 years of joining, their contributions are refunded via payroll. This no longer applies as the scheme is closed.
-

Opts Back In

- > Five years
 - 2015 Pension Account is reactivated (Pension account during break will be revalued at CPI)
 - Final Salary benefit deferred
- < Five Years
 - 2015 Pension Account is reactivated (Pension account during break revalued as if the member has never left)
 - 1992 treated as deferred but final salary applies
 - 2006 reactivated as an active benefit
-

Auto Enrolmen automatic enrolment

- Automatic enrolment is a government-led initiative to improve the national pension provision.
 - A person is employed by an organisation and earns more than £10,000 per annum, and is between the age of 22 and state pension age, they must be automatically enrolled into a qualifying pension scheme with effect from the organisations staging date.
 - The FPS and LGPS are qualifying schemes for Auto Enrolment purposes.
 - 3 years from staging date is the 're-enrolment date' where all employees must be assessed again.
 - Similarly, where an employee hits the criteria above from the first time they are auto-enrolled – even if they have previously opted out.
 - When is your next auto-enrolment date?
-

How much does the Employee Pay? FPS 2015

	Contribution for FPS 2015 scheme members - April 2015	
£0 and up to £27,000		10.0%
Over £27,000 and up to £50,000		12.2%
Over £50,000 and up to £142,500		13.5%
Over £142,500		14.5%
	Contribution for FPS 2015 scheme members - April 2016	
£0 and up to £27,270		10.0%
Over £27,270 and up to £50,500		12.5%
Over £50,500 and up to £142,500		13.5%
Over £142,500		14.5%
	Contribution for FPS 2015 scheme members - April 2017	
£0 and up to £27,543		10.5%
Over £27,543 and up to £51,005		12.7%
Over £51,005 and up to £142,500		13.5%
Over £142,500		14.5%
	Contribution for FPS 2015 scheme members - April 2018	
£0 and up to £27,818		11.0%
Over £27,818 and up to £51,515		12.9%
Over £51,515 and up to £142,500		13.5%
Over £142,500		14.5%

How much does the Employee Pay? FPS 2006

Bottom of range (Full Time Equivalent rate)	Top of range (Full Time Equivalent rate)	Contribution for FPS 2006 scheme members - April 2014	
£0	£15,000		8.5%
£15,001	£21,000		9.4%
£21,001	£30,000		10.4%
£30,001	£40,000		10.9%
£40,001	£50,000		11.2%
£50,001	£60,000		11.3%
£60,001	£100,000		11.7%
£100,001	£120,000		12.1%
£120,001			12.5%

How much does the Employee Pay? FPS 1992 & FRS MOD

Bottom of range (Full Time Equivalent rate)	Top of range (Full Time Equivalent rate)	Contribution for FPS 1992 scheme members - April 2014
£0	£15,000	11.0%
£15,001	£21,000	12.2%
£21,001	£30,000	14.2%
£30,001	£40,000	14.7%
£40,001	£50,000	15.2%
£50,001	£60,000	15.5%
£60,001	£100,000	16.0%
£100,001	£120,000	16.5%

How much does the Employee Pay?

- Pension contributions by individuals and employers are exempt from tax.
 - Employee and employer contributions are also exempt from National Insurance Contributions (NICs).
 - However, the NICs rebate will be removed from 6th April 2016, meaning an increase in NICs of 1.4% for the employee and 3.4% for the employer.
 - Total contributions are subject to both an annual allowance and a lifetime allowance.
-

How much does the Employer pay?

The Employer pays a percentage of a member's pensionable pay:-

FPS 1992	21.7%
FPS 2006	11.9%
FPS 2015	14.3%
FPS MOD	21.7%



This is a national rate set by the Government and reviewed after each Triennial Valuation conducted by the Government Actuaries Department

Contributions Comparison

- Average Salary £27,500

	FPS 1992	FPS 2006	Modified Scheme	FPS 2015
Employee Contribution Rate	14.2%	10.4%	14.2%	12.2%
Employer Contribution Rate	21.7%	11.9%	21.7%	14.3%

Additional Pension

	FPS 1992	FPS 2006	Modified Scheme	FPS 2015
What can I buy?	Extra 60ths	Extra 60ths	Extra 45ths	Up to an extra £6,500 of annual pension
How do I pay?	Extra contributions through your pay, May be paid by lump sum within 12 months of joining			
What is the cost?	Tables prepared by actuary. Cost is determined by age and how much you want to buy.			
Who can buy extra	Anyone who could not achieve 30 years service before age 55, or who is 2 or more years to normal pension age or is not already leaving with an entitlement to a pension or ill-health award	Anyone who could not achieve 40 years service before age 60, or who is 2 or more years to normal pension age or is not already leaving with an entitlement to a pension or ill-health award	Anyone who could not achieve 30 years service before age 55, or who is 2 or more years to normal pension age or is not already leaving with an entitlement to a pension or ill-health award	Anyone who is 2 or more years to normal pension age or is not already leaving with an entitlement to a pension or ill-health award
Does it increase dependants benefits	Yes	Yes	Yes	Yes
Does the employer pay extra too?	No	No	No	No

Roles and Responsibilities of the Pensions Board

Scheme Advisory Board (England)



Who is on the board

Chair – Malcolm Eastwood

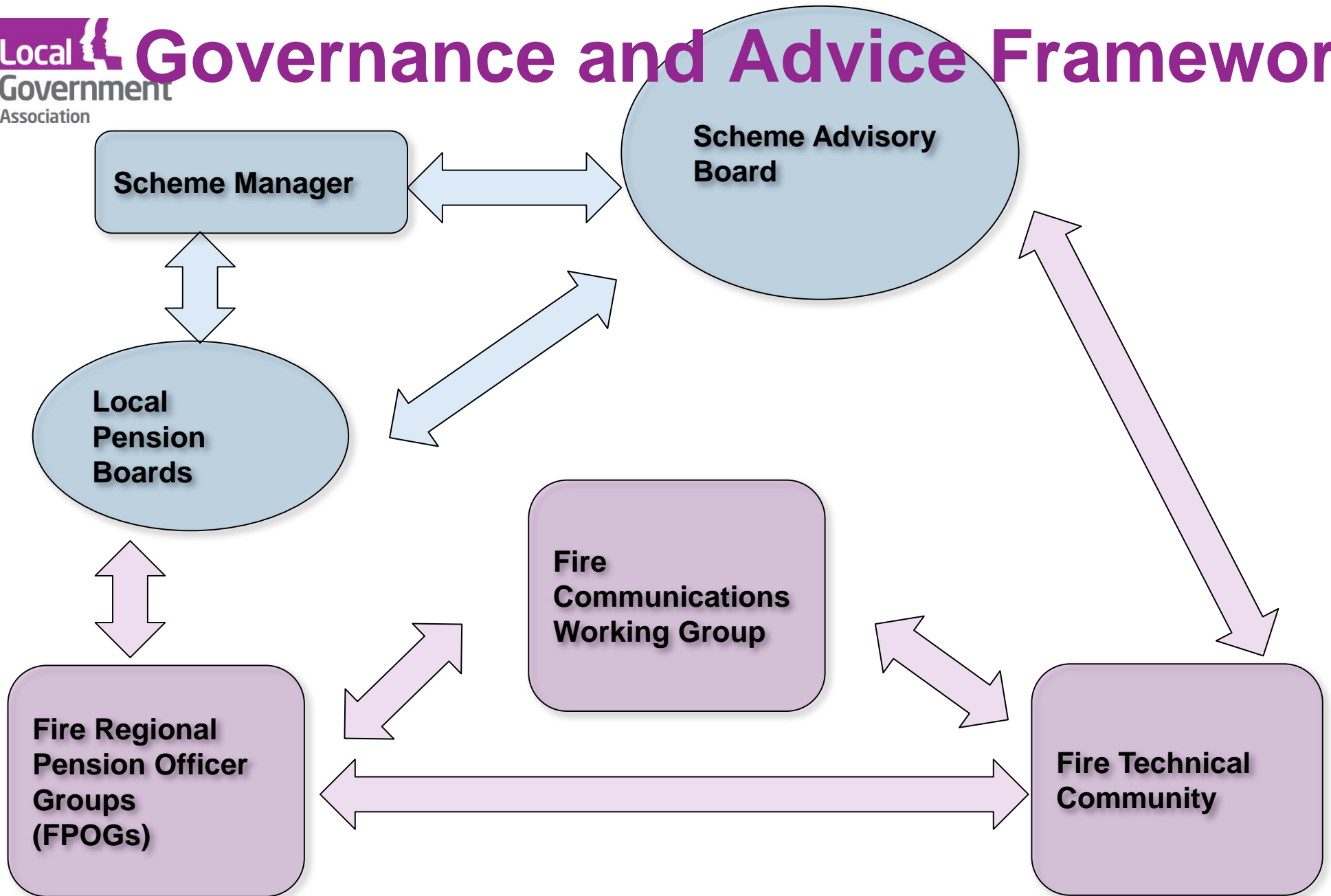
Employer Representatives

- Cllr Rebecca Knox
- Cllr John Fuller
- Cllr Philip Howson
- Cllr Thomas Wright
- Cllr Darrell Pulk
- Cllr Roger Price*
- **Vacancy**

Employee Representatives

- Sean Starbuck (FBU)
- Dave Limer (FBU)
- Samantha Rye (FBU)
- Francis Bishop (FBU)
- Des Prichard (APFO)
- Glyn Morgan (FOA)
- Tristan Ashby (RFU)

Governance and Advice Framework



Regional

- Set up across the UK – six in total, for the purpose of information sharing and collaborative working between administrators and FRAs
 - Can escalate to Technical Community
 - Feedback to Local Pension Boards
 - Each authority should determine a representative to attend
 - Local Pension Boards should understand who their regional group representative is.
-

National

- **Fire Technical community**
 - To consider and interpret legislation
 - To forward plan for key changes in legislation
 - Sharing learning
 - Escalate to Scheme Advisory Board

 - **Fire Communications working group**
 - To collaborate on information/communications available
 - To enable consistency of approach across administrators and Fire Authorities
-

Central

- **Home Office (Previously DCLG)**
 - –Provides legislative framework
 - **LGA Firefighters Pension Adviser (Clair Alcock)**
 - Co-ordinates advice and guidance on a national basis
 - National discussion forums
 - National training events
 - Key point of liaison between Home Office, FRAs & Scheme Advisory Board
-

National

- **Fire Communications working group**
 - To collaborate on information/communications available
 - To enable consistency of approach across administrators and Fire Authorities
 - **Home Office (Previously DCLG)**
 - –Provides legislative framework
-

Local Pension Board Forum

- Regulations
 - Guidance
 - Member Communications
 - Notices and Bulletins
 - <https://knowledgehub.local.gov.uk/group/firefighters-pension-scheme-local-pension-board-members-group-forum/forum>
-

Governance

- Background to Governance
 - Roles and Responsibilities
 - What does that mean for you?
-

Background to Governance

- Hutton Report
 - The Act
 - The Pensions Regulator
 - The Regs
-

IPSPC Recommendations

Independent Public Service
Pensions Commission:
Final Report

10 March 2011

Independent
Public Service

Pensions Commission

- 27 recommendations
- Final salary replaced with CARE
- Standard design
- Accrued Rights
- NPA to be SPA
- Fixed cost ceiling
- Tiered contribution rates
- Publish standard data
- Pension Boards
- The Pensions Regulator oversight
- Good standards of administration

The Act



- [http://www.legislation.gov.uk/ukpga/2013/25/c
ontents](http://www.legislation.gov.uk/ukpga/2013/25/ccontents)
-



Public Service Pensions Act 2013

CHAPTER 25

Explanatory Notes have been produced to assist in the
understanding of this Act and are available separately

- Each locally administered scheme to have a properly appointed, trained and competent Pension Board in place by 1 April 2015
- Equal number of employer and scheme members
- Scheme Advisory Board
- Adequate internal controls
- Robust record keeping
- Timely reporting to HM Treasury etc
- Good administration
- Sound internal dispute procedures
- Information for members on benefits

Section 5 – Pension Board

requires and defines a Pension Board:-

- (1) *Scheme regulations for a scheme under section 1 must provide for the establishment of a board with responsibility for assisting the scheme manager (or each scheme manager) in relation to the following matters.*

- (2) *Those matters are—*
 - (a) *securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension scheme that is connected with it;*
 - (b) *securing compliance with requirements imposed in relation to the scheme and any connected scheme by the Pensions Regulator;*
 - (c) *such other matters as the scheme regulations may specify.*

- (4) *(c) requiring the board to include employer representatives and member representatives in equal numbers*

Section 6 – Pension Board Information

requires the scheme manager to publish information about the pension board:-

(1) The scheme manager for a scheme under section 1 and any statutory pension scheme that is connected with it must publish information about the pension board for the scheme or schemes (and keep that information up-to-date).

(2) That information must include information about—

(a) who the members of the board are,

(b) representation on the board of members of the scheme or schemes, and

(c) the matters falling within the board's responsibility.

Section 7 – Scheme Advisory Board

requires and defines a Scheme Advisory Board:-

1. Providing advice to the responsible authority, at the authority's request on the desirability of changes to the scheme
2. provide advice (on request or otherwise) to the scheme managers or the scheme's pension boards in relation to the effective and efficient administration and management of the pension scheme and connected schemes
3. A person to whom advice is given under 1 & 2 above must have regard to the advice

..

Schedule 4 – Regulatory Oversight

[Section 11, (3) (d)] gives power to the Pensions Regulator in relation to public sector pension schemes

[14A] Gives power to the regulator to appoint a skilled person to assist the public service scheme

[70] Puts duty on member of a pension board to report breaches of law

[70A] Duty to report late payment of employer contributions

[90A] Requires regulator to issue codes of practice

[248A] Requires pension board members to have ‘knowledge and understanding’

[249B] Requirement for internal controls

Code of practice

1. Knowledge and understanding required by pension board members
2. Conflicts of interest and representation
3. Information to be published about schemes
4. Internal controls
5. Scheme record-keeping
6. Maintaining contributions
7. Information to be provided to members
8. Internal dispute resolution
9. Reporting breaches of the law

Topics included in our on-line toolkit are underlined

The Regulations



- <http://www.legislation.gov.uk/ukxi/2015/465/contents/made>
-

Local Pension Board

- Regulations are light touch
 - 4A: Establishment
 - 4B: Membership
 - 4C: Conflict of interest
 - 4D: Guidance
-

4A: Establishment

Requires establishment of board to

[1(a)] Secure compliance with :-

- *Scheme regulations and any other relevant legislation*
- *Pension Regulator's codes of practice, etc*

[1(b)] To ensure effective and efficient governance and administration

- (4) Scheme managers to determine procedures*
 - (5) Voting rights conferred only on employer and scheme member reps*
 - (6) Wide powers to discharge functions*
-

4B:Membership

(1) *Scheme managers to determine :-*

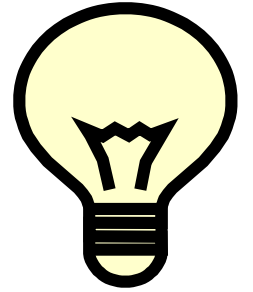
- (a) *membership*
- (b) *manner in which members are appointed and removed;*
- (c) *terms of appointment*

(2) *LPB must have equal number of employer and scheme member reps with no less than four in total*

(2a)*Employers reps to have **capacity** to represent employers*

(2b)*Scheme member reps to have capacity to represent scheme members*

4) *No member or officer of a Fire authority with a pensions function may not be appointed as a member of that authorities Local Pension Board*



- The “decisive influence” on a local pension board must reside with those designated as scheme member and employer representatives.
-

4C: Conflict of Interest

*(1) Scheme managers must be satisfied that no candidates have a conflict of interest**

(2) Same requirement applies during periods of membership

(3 & 4) Candidates and members of the board must provide relevant information to the scheme manager

** Being a scheme member is not regarded as a conflict of interest*

4D:Guidance

Statutory requirement for Scheme Managers to have regard to guidance issued by Secretary of State in relation to Local Pension Boards

Roles and Responsibilities



Who's Who

Pension Board



- Assist Scheme Manager
- Ensure Compliance
- Ensure efficiency & effectiveness of administration
- Advise on member communications
- Monitor complaints

Scheme Manager

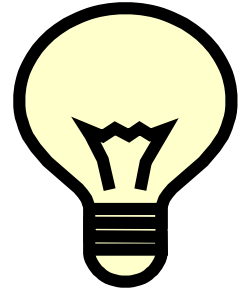


- Administer schemes
- Make scheme decisions
- Issue Communications
- Publish data
- Auditing
- IDRPs

Scheme Advisory Board



- Advise Secretary of State on request of desirability to change of scheme rules
- Cost Cap/Valuation
- Support LPB's
- Benchmarking
- Oversee standards
- Strategic communications



Roles and Responsibilities

- Required by legislation to
 - Secure compliance with
 - (a) regulations and
 - (b) requirements imposed by the pensions regulator
 - To ensure the effective and efficient governance and administration of this scheme and any connected scheme
-

Board Members Responsibilities

- Notify Scheme Managers of Conflict of Interest
 - Keep Code of Conduct
 - Report Breaches of Law
 - Gain knowledge and Understanding
 - Assist Scheme Manager
-

Scheme Manager Responsibilities

- Benefits and the Payment of Benefits
 - Decisions and Discretions
 - Disclosure of Information
 - Record Keeping
 - Internal Controls
 - Internal Dispute Resolution
 - Report Breaches of Law
 - Statements, Reports and Accounts
-

Conflicts of interest

- A conflict of interest = a **financial** or other interest ...
 - ...which is likely to **prejudice** a person's exercise of functions as a **member of the pension board**.
- Doesn't include an interest arising merely by virtue of that person being a member of the scheme*

Managing Conflicts

- Opening agenda item
 - Publish register of interest
 - Agree and document a conflicts policy
 - Code of conduct, Nolan principles
-

Reporting breaches of the law

Legal requirements

- Requirement to report breaches of the law to TPR where **reasonable cause** to believe that:
 - a legal duty relevant to the administration of the scheme has not been, or is not being, complied with
 - the failure to comply is likely to be of **material significance** to the regulator
- People who are subject to the reporting requirement are:
 - scheme managers
 - members of pension boards
 - any person who is otherwise involved in the administration
 - employers
 - professional advisers - including auditors, actuaries, legal advisers and fund managers
 - any person who is otherwise involved in advising the managers of the scheme
- The report must be made in writing as soon as **reasonably practicable**



Reporting breaches

- Who reports? - **everyone** connected with the scheme
- When they have reasonable cause to believe there has been a breach that is likely to be of material significance to the regulator
- What is of material significance to us can be considered from 4 aspects:

1. Cause	Dishonesty, poor governance, poor advice
2. Effect	If the matter appears to be the effect of non-compliance with PSPA2013, poor administration, inaccurate payments or theft
3. Reaction to the breach	If there has not been action to deal with it
4. Wider implications	If the breach suggests wider undetected problems

Reporting breaches

	Potential investigation outcomes			
	Cause	Effect	Reaction	Wider implications
Red	Pension board members have failed to take steps to acquire and retain the appropriate degree of knowledge and understanding about the scheme's administration policies	A pension board member does not have knowledge and understanding of the scheme's administration policy about conflicts of interest. The pension board member fails to disclose a potential conflict, which results in the member acting improperly	<p>Pension board members do not accept responsibility for their failure to have the appropriate knowledge and understanding or demonstrate negative/non-compliant entrenched behaviours</p> <p>The scheme manager does not take appropriate action to address the failing in relation to conflicts</p>	It is highly likely that the scheme will be in breach of other legal requirements. The pension board do not have an appropriate level of knowledge and understanding and in turn are in breach of their legal requirement. Therefore, they are not fulfilling their role to assist the scheme manager and the scheme is not being properly governed
Amber	Pension board members have gaps in their knowledge and understanding about some areas of the scheme's administration policies and have not assisted the scheme manager in securing compliance with internal dispute resolution requirements	Some members who have raised issues have not had their complaints treated in accordance with the scheme's internal dispute resolution procedure (IDRP) and the law	The scheme manager has failed to adhere precisely to the detail of the legislation where the breach is unlikely to result in an error or misunderstanding or affect member benefits	It is possible that the scheme will be in breach of other legal requirements. It is possible that the pension board will not be properly fulfilling their role in assisting the scheme manager
Green	Pension board members have isolated gaps in their knowledge and understanding	The scheme manager has failed to adhere precisely to the detail of the legislation where the breach is unlikely to result in an error or misunderstanding or affect member benefits	Pension board members take action to review and improve their knowledge and understanding to enable them to properly exercise their functions and they are making quick progress to address gaps in their knowledge and understanding. They assist the scheme manager to take prompt and effective action to remedy the breach	It is unlikely that the scheme will be in breach of other legal requirements. It is unlikely that the pension board is not fulfilling their role in assisting the scheme manager

Example: LGPS Annual Benefit Statements

TPR response:

.....Where the cause of the breach is explained as being due to significant data and IT system issues faced by Funds and Fund employers, we are minded to advise those Funds that we expect them to issue the statements as soon as possible and by the 30 November 2015 at the latest.

....“Looking to next year and beyond, it is unlikely that LGPS funds will be able to point to reasons related to the introduction of the new scheme for failing to issue annual benefit statements by the statutory deadline. We recommend that authorities who have experienced problems this year ensure that their pensions committees and local pension boards are fully aware and that necessary steps are taken now so that improvements can be made for next year and/or evidence detailing the reasons for non-compliance can be made available to the Regulator.

For example, if you anticipate that late and/or inaccurate submission of data from employers will continue to be an issue, you should put in place processes which will enable you to demonstrate the efforts made to assist and educate employers in submitting accurate, timely information together with documented evidence of any failure to improve. Such evidence would be taken account of by the Regulator when considering if, for example, the issue of third party ~~improvement notices to employers would be an appropriate response.”~~

Breaches of the law – it's not just about reporting

Procedure

- Referral to appropriate person
- Clarify the facts
- Clarify the law
- Consider the significance
- Consideration of difficult cases
- Timeframe
- Recording



Examples

Legal failures:

- Late notification of benefits
- Errors in calculations
- Late payment of employer contributions
- Late notifications from employers



Knowledge and Understanding



Legal requirement of Section 248A of the Pensions Act 2004

- Must be conversant with:
 - the rules of the scheme, and
 - any document recording policy about the administration of the scheme.
 - Must have knowledge and understanding of:
 - the law relating to pensions, and
 - any other matters which are prescribed in regulations.
 - The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the pension board
-

Knowledge and Understanding Top Tips

- Designate a person responsible
 - Establish and maintain policies and arrangements for knowledge and understanding
 - Keep updated documents list
 - TPR toolkit recommended
 - Personalised training plan – regular skills/knowledge review
-

Scheme Manager Responsibilities

- Benefits and the Payment of Benefits
 - Decisions and Discretions
 - Disclosure of Information
 - Record Keeping
 - Internal Controls
 - Internal Dispute Resolution
 - Report Breaches of Law
 - Statements, Reports and Accounts
-

Scheme Discretions

- The regulations are written to determine that the scheme manager 'may' do certain things.
 - It is a scheme manager responsibility to make decisions
-

Scheme Discretion Examples

- [\[2015: 5\(2\)\]](#) The power to delegate the scheme manager function
 - [\[1992: B7\(5A\)\]](#) the power to allow full quarter commutation for those with over 25 years service and aged over 50 years
 - [\[2015: 62\]](#) To allow employer initiated retirement
 - [\[2015:68\]](#) Must have a policy on Ill Health reviews
-

Scheme Discretion Examples

- [\[2015: 111\(2\)\]](#) Contributions during absence from work due to illness, injury, trade dispute or authorised absence
 - [\[2006, Part 3, 7B\]](#) Discretion to allow certain benefits to be pensionable under an ‘Additional pension benefit’
-


Providing information to members and others

Key elements

The Disclosure Regulations 2013 set out the information which must be given under certain circumstances, the timescales for providing such information and the methods that may be used.

Basic information about the scheme and the benefits it provides must be disclosed to a prospective member (if practicable) or a new member.

- Where the manager has received jobholder information = within a month of the jobholder information being received.
- Where they have not received jobholder information = within two months of the date the person became an active member of the scheme.



Managers must provide confirmation that members may request further information and the postal and email addresses for queries.

Provide information within 2 months of the request being made, (except where already provided in the last 12 months).

Specific AVC disclosure requirements

Carry out a tracing exercise to locate lost members and ensure up-to-date data.

Clear and simple to understand information, as well as accurate and easily accessible.

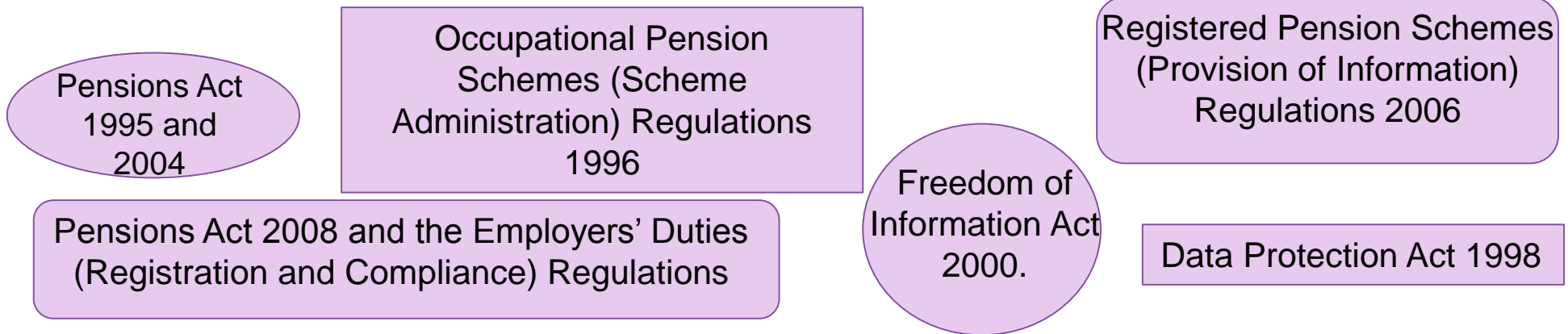
Specific requirements if putting information on website

Maintaining accurate member data

Legal requirements

- Scheme managers must keep records of information relating to:
 - scheme member information
 - transactions
 - pension board meetings and decisions
- Also:

Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014 ('the Record Keeping Regulations').



- Schemes should be able to demonstrate that they keep records in accordance with these and any other relevant legal requirements.



Remember!

Section 6 – Pension Board Info

requires the scheme manager to publish information about the pension board:-

(1) The scheme manager for a scheme under section 1 and any statutory pension scheme that is connected with it must publish information about the pension board for the scheme or schemes (and keep that information up-to-date).

(2) That information must include information about—

- (a) who the members of the board are,*
- (b) representation on the board of members of the scheme or schemes, and*
- (c) the matters falling within the board's responsibility.*

What might you publish?

- Specific roles and responsibilities of individual members
 - Other positions held
 - Who they represent (Chair, EEs, ERs)
 - Terms of Reference
 - Agendas / Minutes
 - Board Papers
-

Resolving disputes

Legal requirements

Provide info about:

- Internal Dispute Resolution Procedure (IDRP)
 - The Pensions Advisory Service (TPAS)
 - Pensions Ombudsman
- to certain people at certain stages

IDRP must state:

- How to make an application
- The particulars to be included in an application
- How decisions are reached and given
- A reasonable period within which applications must be made.

Decision made within a **'reasonable period'** of receiving application



Applicant must be notified of the decision within a **'reasonable period'**.

Matters may first be referred to a **'specified person'**

“Exempted disputes”:

- Where proceedings have commenced in any court or tribunal,
- Where the Pensions Ombudsman has commenced an investigation

What does this all mean for you?



Key Documents

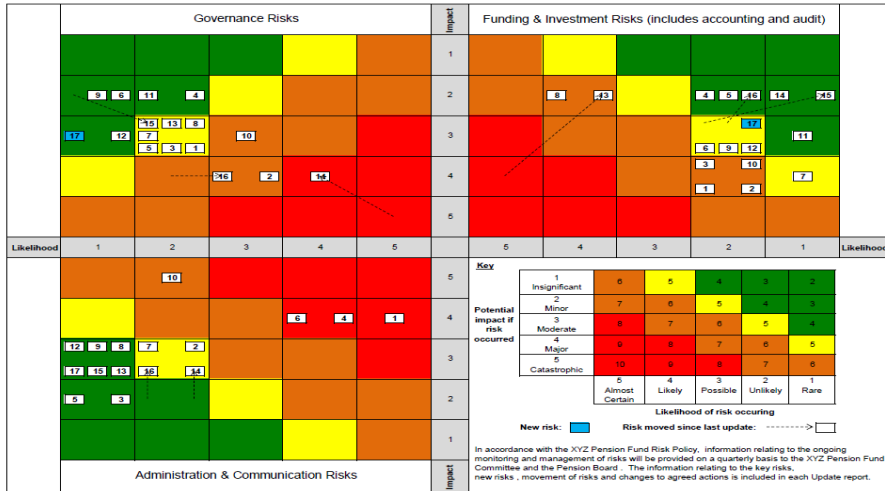
- Terms of Reference
 - Nomination and Selection Policy
 - Code of Conduct
 - Conflicts Policy
 - Knowledge and Understanding Policy
 - Recording and Reporting Breaches Policy
 - Training Plan
-

Pension Board Training Plan

LGA Induction Day					20/07/2015			
TPR E-Learning - Conflicts of Interest	22/07/2015		12/10/2015	19/08/2015	14/08/2015	28/07/2015	12/10/2015	17/08/2015
TPR E-Learning - Managing Risk and Internal Controls	22/07/2015		12/10/2015	19/08/2015	14/08/2015	28/07/2015	12/10/2015	17/08/2015
TPR E-Learning - Maintaining Accurate Member Data	22/07/2015		12/10/2015	19/08/2015	14/08/2015	30/07/2015	12/10/2015	17/08/2015
TPR E-Learning - Maintaining Member Contributions	22/07/2015		12/10/2015	19/08/2015	14/08/2015	30/07/2015	12/10/2015	17/08/2015
TPR E-Learning - Providing Information to members and others	22/07/2015		12/10/2015	19/08/2015	14/08/2015	30/07/2015	12/10/2015	17/08/2015
TPR E-Learning - Resolving Internal Disputes	22/07/2015		12/10/2015	19/08/2015	14/08/2015	30/07/2015	12/10/2015	17/08/2015
TPR E-Learning - Reporting Breaches of the law	22/07/2015		12/10/2015	19/08/2015	14/08/2015	30/07/2015	12/10/2015	17/08/2015
ECFRS Pension Board training session 4/9/15 (Overview of schemes)	04/09/2015	04/09/2015	04/09/15 & 08/10/15	04/09/2015	04/09/2015		08/10/2015	04/09/2015
ECFRS Pension Board training session 12/10/15 (Modified Scheme)		12/10/2015	12/10/2015	12/10/2015	12/10/2015		12/10/2015	

Risks and Internal controls – best practice

All Fund Risk Heat Map and Summary of Governance Risks



- Review of compliance with TPR Code of Practice

- Review of risk management policy
- Review of risk register
- Review of administration processes

Summary Dashboard

A dashboard showing the summary of the results of the latest compliance checklist is shown below:

No.	Completed	Compliant
Reporting Duties		
A1	Fully completed	Fully compliant
A2	Not yet relevant	Not yet relevant
A3	Fully completed	Fully compliant
A4	Fully completed	Fully compliant
Knowledge and Understanding		
B1	Fully completed	Fully compliant
B2	Fully completed	Fully compliant
B3	Not yet relevant	Not yet relevant
B4	Not yet relevant	Not yet relevant
B5	Not yet relevant	Not yet relevant
B6	Not yet relevant	Not yet relevant
B7	Fully completed	Fully compliant
B8	Not yet relevant	Not yet relevant
B9	Not yet relevant	Not yet relevant
B10	Not yet relevant	Not yet relevant
B11	Not yet relevant	Not yet relevant
B12	Not yet relevant	Not yet relevant
Conflicts of Interest		
C1	Fully completed	Fully compliant
C2	Not yet relevant	Not yet relevant
C3	Not yet relevant	Not yet relevant
C4	Not yet relevant	Not yet relevant
C5	Fully completed	Fully compliant
C6	Not yet relevant	Not yet relevant
C7	Not yet relevant	Not yet relevant
C8	Not yet relevant	Not yet relevant
C9	Not yet relevant	Not yet relevant
C10	Not yet relevant	Not yet relevant
C19	Fully completed	Employer's - Partially compliant
C11	Not yet relevant	Not yet relevant
Publishing Information		
D1	Not yet relevant	Not yet relevant
D2	Not yet relevant	Not yet relevant
D3	Not yet relevant	Not yet relevant
D4	Not yet relevant	Not yet relevant

No.	Completed	Compliant
Risk and Internal Controls		
E1	Fully completed	Fully compliant
E2	Fully completed	Fully compliant
E3	Fully completed	Fully compliant
E4	Fully completed	Fully compliant
E5	Fully completed	Fully compliant
E6	Not yet relevant	Not yet relevant
E7	Fully completed	Fully compliant
E8	Fully completed	Fully compliant
Maintaining Accurate Member Data		
F1	Fully completed	Fully compliant
F2	Fully completed	Fully compliant
F3	Fully completed	Fully compliant
F4	Not yet relevant	Not yet relevant
F5	Not yet relevant	Not yet relevant
F6	Fully completed	Fully compliant
F7	Fully completed	Fully compliant
F8	Fully completed	Partially compliant
F9	Fully completed	Fully compliant
F10	Fully completed	Partially compliant
F11	Fully completed	Fully compliant
Maintaining Contributions		
G1	Fully completed	Fully compliant
G2	Fully completed	Fully compliant
G3	Fully completed	Partially compliant
G4	Fully completed	Fully compliant
G5	Fully completed	Partially compliant
G6	Fully completed	Fully compliant
G7	Fully completed	Employer's - Partially compliant
G8	Fully completed	Non-compliant
G9	Fully completed	Fully compliant
Providing Information to Members and Others		
H1	Fully completed	Partially compliant
H2	Not yet relevant	Not yet relevant
H3	Fully completed	Fully compliant
H4	Fully completed	Partially compliant
H5	Fully completed	Fully compliant
H6	Fully completed	Fully compliant

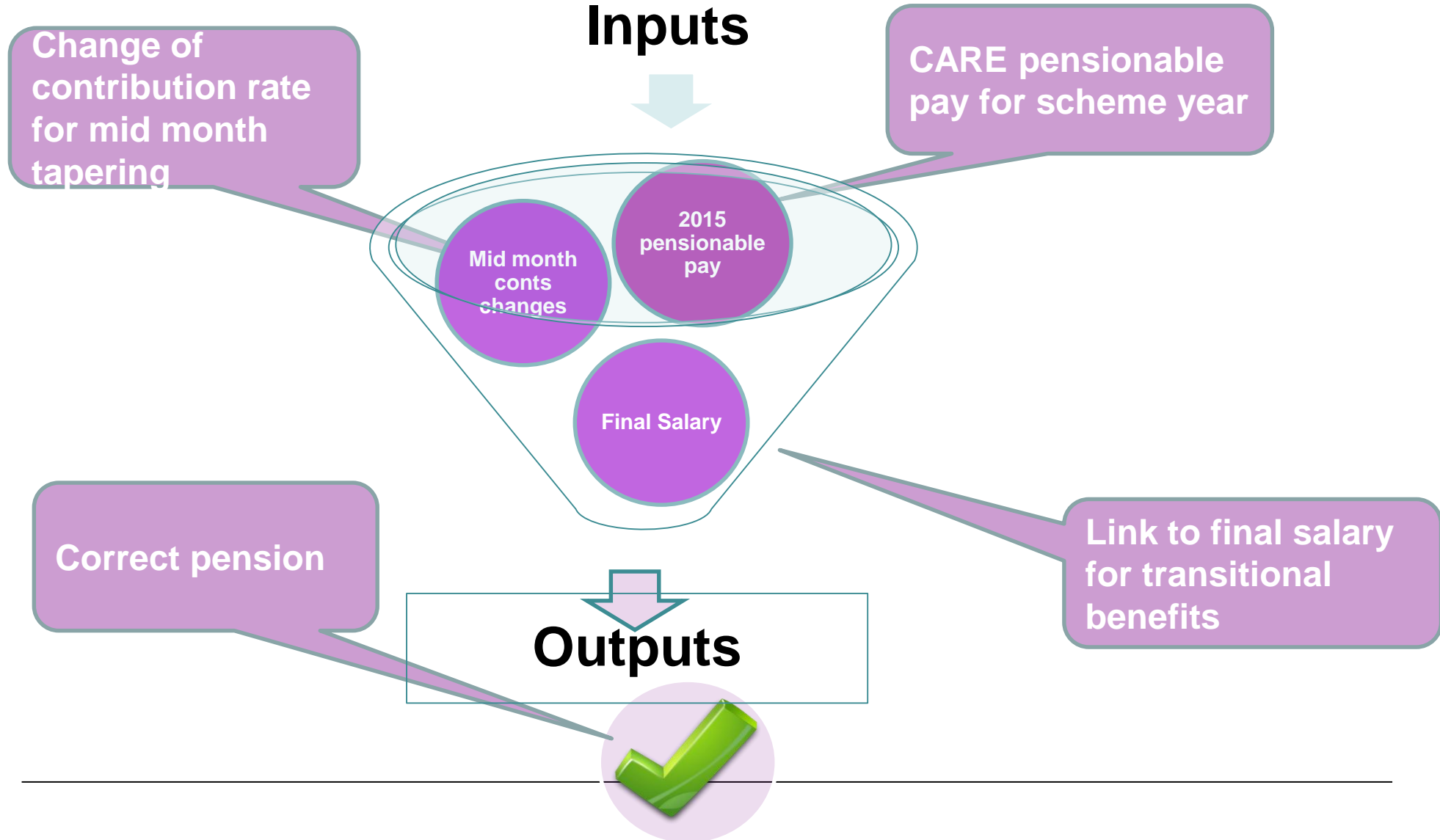
No.	Completed	Compliant
Internal Dispute Resolution		
I1	Fully completed	Fully compliant
I2	Fully completed	Fully compliant
I3	Fully completed	Fully compliant
I4	Fully completed	Fully compliant
I5	Fully completed	Fully compliant
I6	Fully completed	Partially compliant
I7	Fully completed	Partially compliant
I8	Fully completed	Fully compliant
I9	Reporting Breaches	Fully compliant
Scheme Advisory Board Responsibilities		
J1	Fully completed	Partially compliant
J2	Fully completed	Fully compliant
J3	Fully completed	Partially compliant
Employer's - Partially compliant		
K1	Fully completed	Fully compliant
K2	Not yet relevant	Not yet relevant
K3	Fully completed	Fully compliant
K4	Fully completed	Fully compliant
K5	Not yet relevant	Not yet relevant
K6	Not yet relevant	Not yet relevant
K7	Not yet relevant	Not yet relevant
K8	Fully completed	Fully compliant
K9	Not yet relevant	Not yet relevant
K10	Not yet relevant	Not yet relevant
K11	Fully completed	Fully compliant
K12	Not yet relevant	Not yet relevant
K13	Not yet relevant	Not yet relevant
K14	Not yet relevant	Not yet relevant
K15	Fully completed	Fully compliant

Potential negative outcomes

- Censure by the Pensions Regulator (TPR) for non-compliance with the requirements of the Public Service Pensions Act 2013 and other primary legislation.
 - Findings against the authority by the Pensions Ombudsman.
 - Failure to fulfil financial responsibilities in accordance with Accounts and Audit (England) regulations 2011.
 - Overpayment or underpayment of pension amounts.
 - Incomplete data leading to valuation assumptions which could result in increased employer contributions.
 - Incorrect tax liabilities for the authority and scheme members.
-

Are you confident in your data?

Inputs



Questions to ask?

Mid Month Tapers

- Are pension boards comfortable they will comply with regulations and deduct contributions on time
- How will the changes be managed

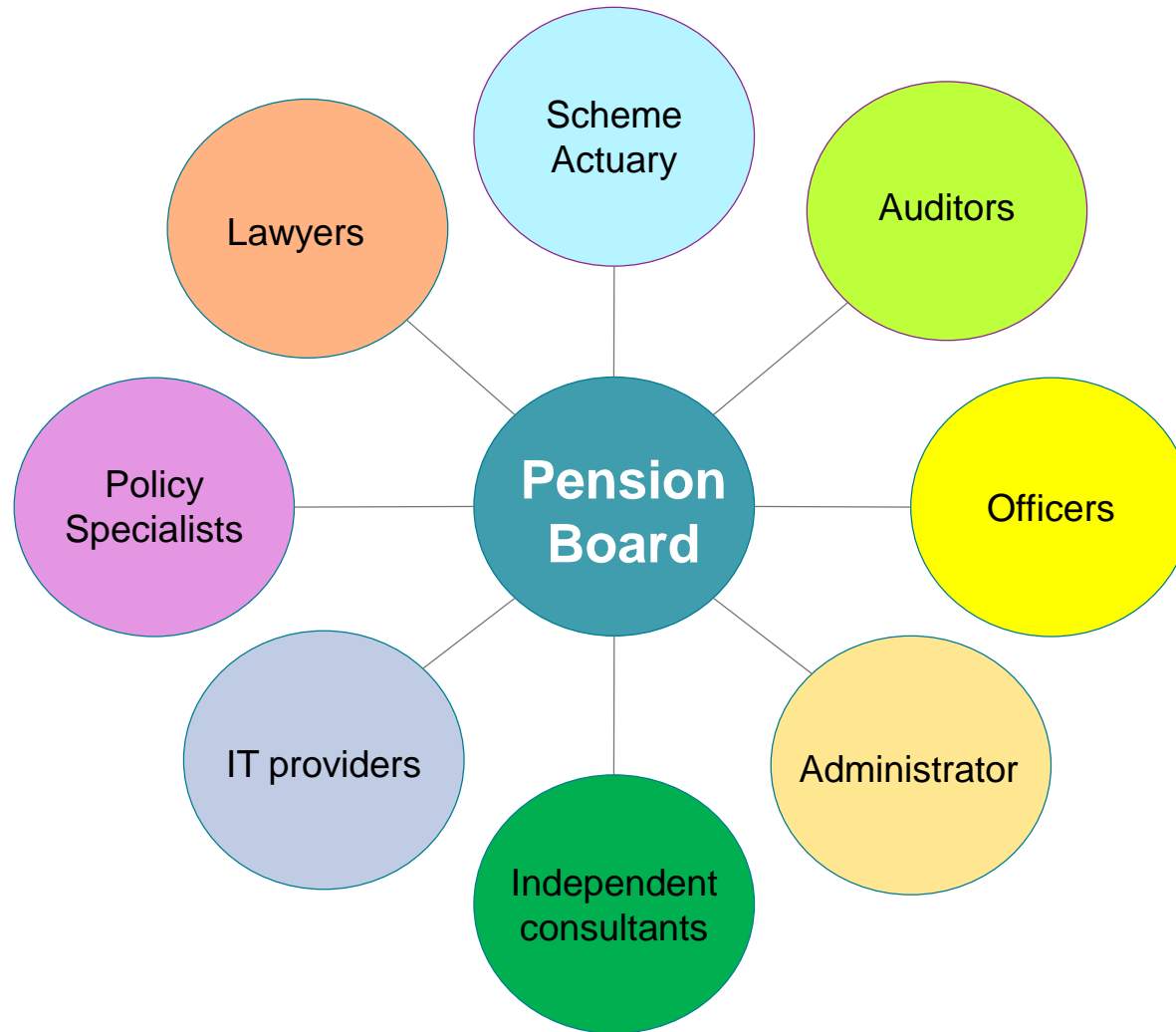
Pensionable Pay

- Are pension boards comfortable that 2015 pensionable pay can be identified.

Supplying data to the administrator

- Mid month contribution changes
 - CARE and Final Salary Pensionable Pay
 - APP for retirement and death cases
 - Final Pay
 - On time for valuation and annual benefit statement purposes
-

Your advisors



Example agenda items

- Progress of risk register
 - Status report on meeting ABS and Valuation deadlines
 - Training log
 - Report from regional group
 - Report from members?
 - Make every 4th meeting a training meeting, invite an expert (see list of advisers!)
 - Barriers to being effective?
-

Protections

A changed membership

protected

tapered

unprotected



Primary legislation

- Section 18 of the 2013 act

<http://www.legislation.gov.uk/ukpga/2013/25/section/18>

- Paragraph 5&6 provides for full protection of members, or those who were eligible to be members [18 (5a)] on satisfaction of a 'prescribed condition' - *(for example, the attainment of normal pension age under the existing scheme or another specified age) before a specified date.*
 - Paragraph 7 goes onto give additional 4 years 'transitional' protection for those meeting the specified condition.
-

How is Protection Determined

- **1992 Scheme and modified scheme members**
 - Active 1992 scheme members who at 1st April 2012 are 45 and over

 - **2006 Scheme members**
 - Active 2006 scheme members who at 1st April 2012 are 50 and over
-

Tapered protection

- **1992 scheme** members or **Special Retained Modified members** who on 1 April 2012 are aged between 41 and 45 years
 - **NFPS scheme** members who on 1st April 2012 are aged between 46 and 50 years
-

Secondary legislation

- SI 2014/2848 - Schedule 2
 - <http://www.legislation.gov.uk/ukxi/2014/2848/schedule/2/made>
 - Part 2 - Rules 12, 13 & 14 Define full protection of 1992 and NFPS
 - Part 3 - Rules 18, 19 & 20 define tapered protection
-

Scheme Benefits

How are benefits worked out



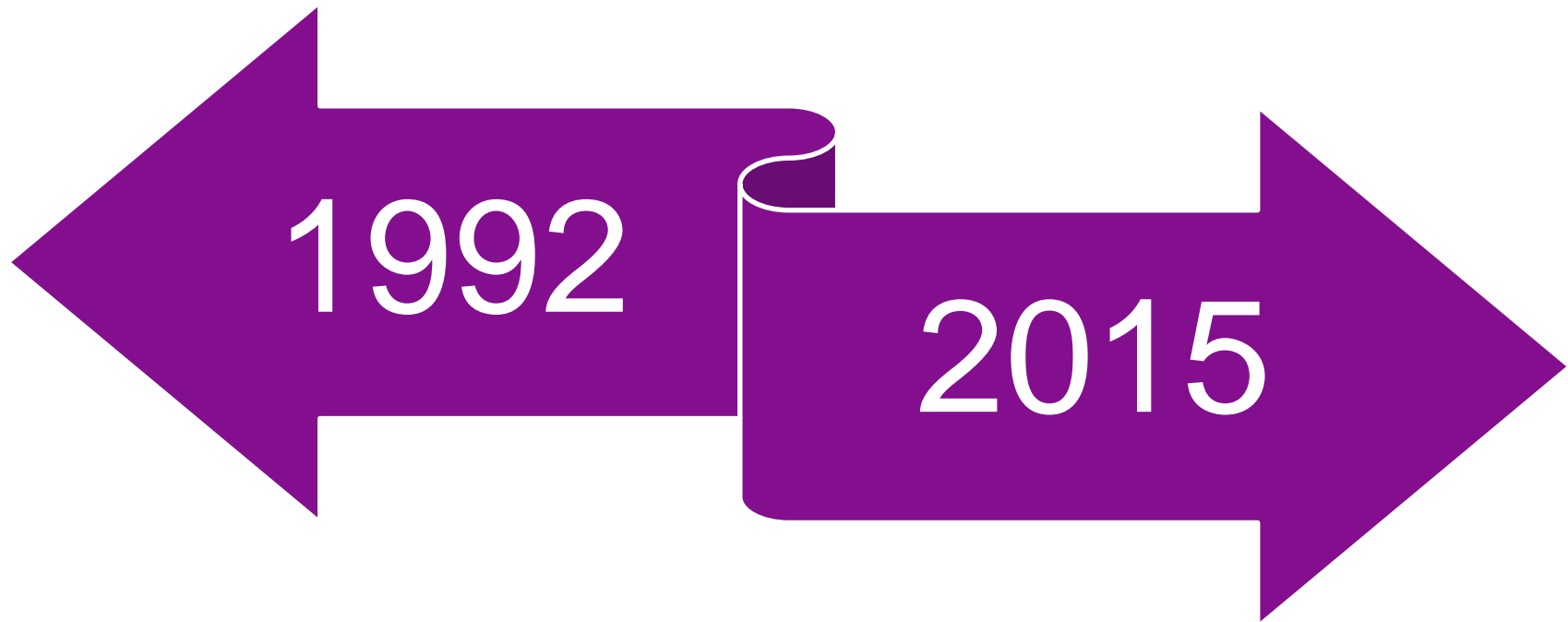
Final Salary (1992, 2006, Modified)

- Final Pensionable pay (best of last 3 years) x membership / 60 = annual pension
- Can give up part of pension (max 25%) to provide a one off lump sum
- Revalued by CPI in retirement

Career Average (2015)

- Pensionable pay for each year / 59.7 = Accrued pension for that year.
 - Each year is increased by average weekly earnings
 - Can give up part of pension (max 25%) to provide a one off lump sum
-

Transition Members



Double Accrual Guarantee

- Recognises the expectation to double accrual for members in the 'old' 1992 Fire scheme.
 - Pro Rata's the expected benefit
-

Part 2A Schedule 2 – Ordinary retirement

$$(A \div 60) \times (B \div C) \times APP$$

- A = maximum 60ths member could have accrued had there been no change.
 - B = 1992 service – 1992 service up to 31 March 2015, or taper date.
 - C = Calendar Years service in 1992 & 2015
 - APP = Average Pensionable Pay
-

The member

- A firefighter who joins the scheme at 1 April 1999 has 16 years service as at 31 March 2015
 - The firefighter then builds up a further 9 years of service in the 2015 scheme to age 55.
 - Total service = 25 years
 - So they would have had an expectation to pension calculated on 30/60ths
-

An example...

- $(A \div 60) \times (B \div C) \times FS$

- $A = 30$

- $B = 16$ years in 1992 scheme

- $C = 25$

- $APP = \text{£}20000$



$$(30 \div 60) \times (16 \div 25) \times \text{£}20,000 = \text{£}6,400$$

Weighted accrual

Total continuous pensionable service upon retirement in the 1992 and 2015 scheme	Multiplier applied to <u>earned 1992 service</u> to recognise expectation to double accrual	Fraction that years of 1992 service is converted to
30	1.333	1 / 45 th
29	1.310	1 / 45.789 th
28	1.286	1 / 46.667 th
27	1.259	1 / 47.647 th
26	1.231	1 / 48.75 th
25	1.200	1 / 50 th
24	1.167	1 / 51.429 th
23	1.130	1 / 53.077 th
22	1.091	1 / 55 th
21	1.048	1 / 57.273 th
20	1.000	1 / 60 th

Multiplier - An example...

Actual full service = 25

1992 Service = 16

Multiplier = 1.200

$(16 * 1.200) = 19.2$ (19 years 73 days)

$19y\ 73\ d / 60 * £20,000 = £6,400$



Average accrual - An example...

$$(A * (60/B)) = C$$

A = Actual service

B = doubled service

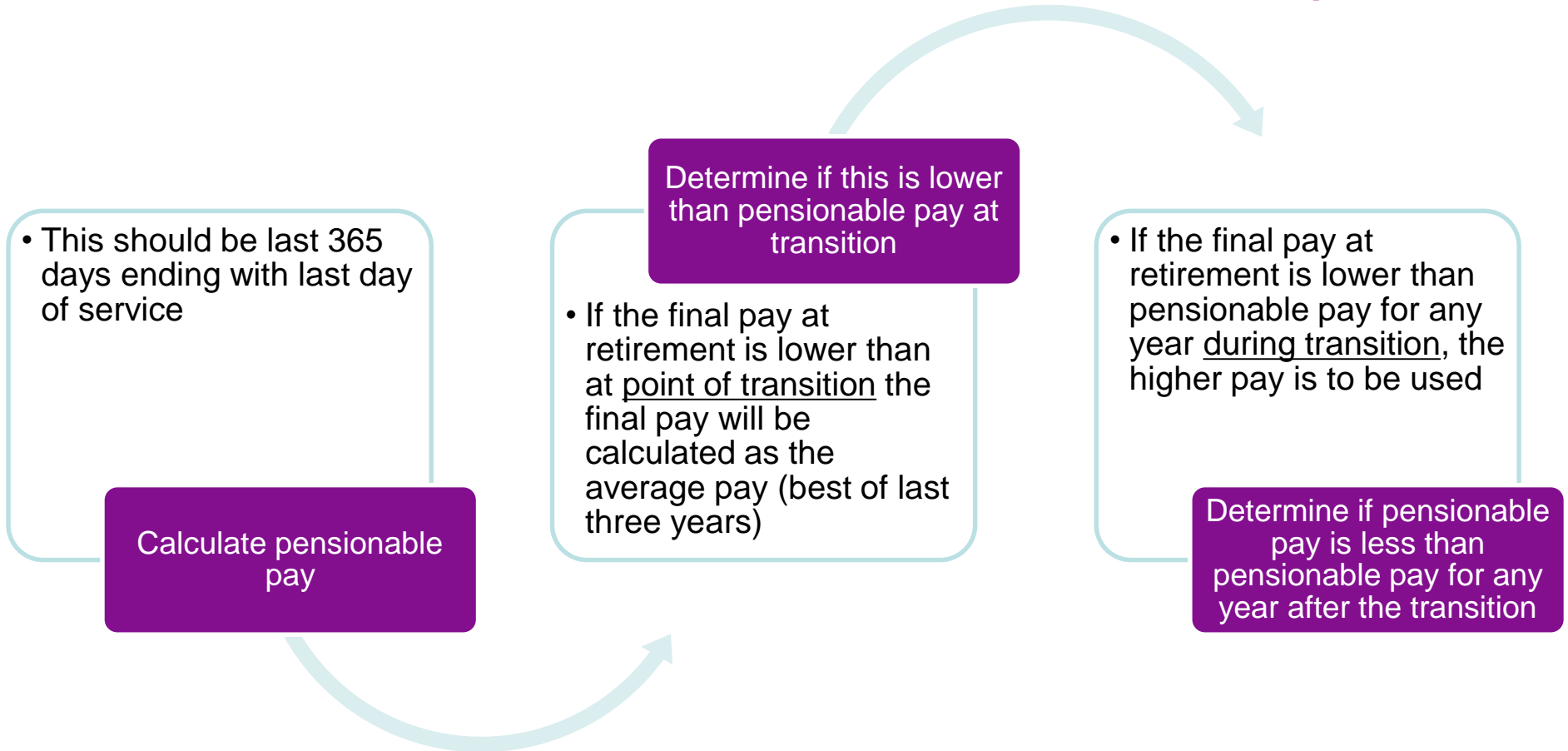


$$(25 * (60/30)) = 50\text{ths}$$

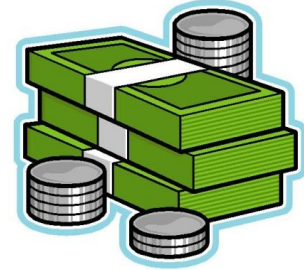
$$1992 \text{ Service} = 16$$

$$16 / 50 * \text{£}20,000 = \text{£}6,400$$

Transition Members – Final Pay

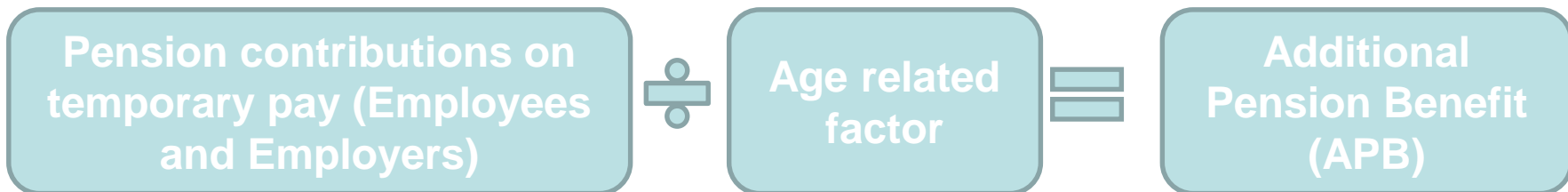


Pensionable Pay – Temporary Pay

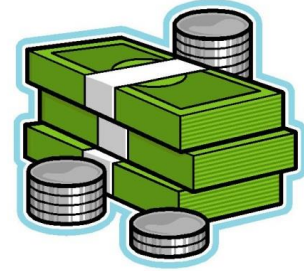


FPS 1992 & 2006

- Temporary pay which began after 1 July 2013 is not included in the final pensionable pay calculation.
- It is still pensionable but temporary pay provides an Additional Pension Benefits (APB)
- They are calculated as follows:-



Continuous Professional Development



FPS 1992 & FPS 2006

- CPD is pensionable and is treated as an Additional Pension Benefit (APB)

FPS 2015

- CPD is pensionable and is treated as part of pensionable pay at the discretion of the FRA. No additional pension benefits exist in the 2015 scheme
-

FPS 1992 Membership

- For each year of membership, the Firefighter can count $1/60^{\text{th}}$ of their final pensionable pay as membership.
- This includes any previous pension they have transferred in.
- After 20 years, each year counts as $2/60^{\text{th}}$.
- Maximum is 30 years, or $40/60^{\text{th}}$ s



FPS 2006 Membership

- For each year of membership, the Firefighter can count $1/60^{\text{th}}$ of their final pensionable pay as membership.
- This includes any previous pension they have transferred in.
- Maximum is 40 years, or 40/60ths.
- If part-time, membership is calculated pro-rata e.g. if they work half time for 2 years it provides $1/60^{\text{th}}$ of membership.



Retained Firefighter Membership

- Membership builds up based on the earnings compared with a Regular Firefighter (reference pay).

e.g. if a retained firefighter earns £8,125 in one year and their reference pay is £28,000, membership is calculated as:-

$\text{£}8,125 / \text{£}28,000 * 365 \text{ days} = 106 \text{ days membership}$



2015 Scheme Pension Build Up

- Gary has a pensionable pay of £28,000 this year
- He will 'accrue' $1/59.7^{\text{th}}$ of that pay towards his pension

$$\text{i.e. } \pounds 28,000 / 59.7 = \pounds 469.01$$



2015 Scheme Revaluation

- An important part of the 2015 scheme is ‘revaluation’
 - This is how the 2015 scheme benefits keep pace with inflation.
 - Each year-end, the pension pot will be revalued by the change in the average weekly earnings index.
-

Revaluation Order

- Earnings order has now been laid, at 2%
 - To be applied to the value in the CARE account at a minute past midnight on 1st April
-

2015 Scheme Pension Pot - Example

Date from	Date to	Account Balance	Reval rate	Opening Balance	Actual Pay	Pension Build Up	Closing Balance
01/04/2015	31/03/2016	£0.00		£0.00	£29,850	£500	£500
01/04/2016	31/03/2017	£500	2%	£510	£30,500	£510.89	£1020.89
01/04/2017	31/03/2018	£1020.89	1%	£1031.10	£32,000	£536.01	£1,567.11
01/04/2018	31/03/2019	£1,567.11	2%	£1598.45	£32,700	£547.74	£2,146.19
01/04/2019	31/03/2020	£2,146.19	4%	£2232.04	£33,600	£562.81	£2,794.85
01/04/2020	31/03/2021	£2,794.85	1%	£2822.80	£35,000	£586.26	£3,409.07
01/04/2021	31/03/2022	£3,409.07	3%	£3511.34	£35,900	£601.34	£4,112.68
01/04/2022	01/04/2023	£4,112.68	2%	£4194.93	£36,500	£611.39	£4,806.32

Leaving before retirement age

	FPS 1992	FPS 2006	FPS MOD	FPS 2015
Refund on Contributions	If less than 2 years membership	If less than 3 months membership	N/A	If less than 3 months membership
Deferred Pension	If more than 2 years membership	If more than 3 months membership	If more than 1 days membership	If more than 3 months membership
Deferred Pension Age	Age 60	Age 65	Age 60	State Pension Age (min 65)
Can be paid early?	Yes on Ill Health grounds at any age	Yes from age 55 or ill health at any age	Yes on Ill Health grounds at any age	Yes from age 55 or ill health at any age

Retirement

	FPS 1992	FPS 2006	Modified	FPS 2015
Earliest Retirement Age	From age 50 with over 25 years service*	55 (with reductions)	55	55 (with reductions)
Normal Retirement Age	55	60	55	60
Deferred Retirement Age	60	65	60	SPA
Accrual	60ths in 30 years	60ths in 40 years	45ths	1-59.7ths
Lump Sum Option	Age related commutation factors	Commute £1 of pension for £12 lump sum	Age related commutation factors	Commute £1 of pension for £12 lump sum

*** Lump sum can be restricted to 2.25 * pension**

2015 – Partial Retirement

- 2015 scheme allows members to take pension at age 55 without actually leaving their employment;
 - a reduction will apply,
 - could continue to build up more pension,
- However, the 1992 scheme and the 2006 scheme require a member to fully retire in order to access benefits.



Re-employment

FPS 1992/2006/MOD/2015

- Pension will be subject to abatement where an employee retires and begins drawing their pension and is either:
 - re-employed by any Fire Authority in any capacity or
 - continues in the employment of a Fire Authority
- Abatement to pension applies if the new salary, plus the pension they are in receipt of, is more than their salary they received while previously employed, then that excess amount is taken away from their pension whilst the member is re-employed.
- Very important than anyone in receipt of a Firefighter pension who returns or continues to work for any Fire Authority in any capacity informs their FRA immediately.



Ill Health Retirement from work



- Permanently incapable of performing the role due to ill health and continue to be until normal pension age = Lower tier award
- Lower tier award is the pension accrued to the date of leaving without any early retirement reduction.
- Permanently incapable of performing any regular employment due to ill health and will continue to be until normal pension age = higher tier award including lower tier award

These awards are by determination by an Independent Qualified Medical Practitioner.

There is a cost to the FRA (payable to the Pension Fund account) for ill health retirements.



III Health Retirement from defered

FPS 1992

- Permanently incapable of performing the duties of the former role due to ill health and will continue to be until normal pension age.
- Deferred pension comes into payment.

FPS 2006/MOD/2015

- Permanently incapable of performing regular employment due to ill health and will continue to be until normal pension age.
- Deferred pension comes into payment.

These awards are by determination by an Independent Qualified Medical Practitioner.

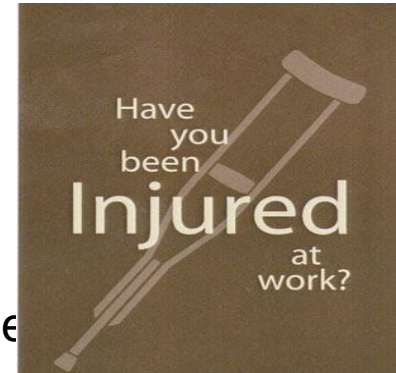
There is a cost to the FRA (payable to the Pension Fund account) for ill health/deferred retirements.

Retirement - Injury

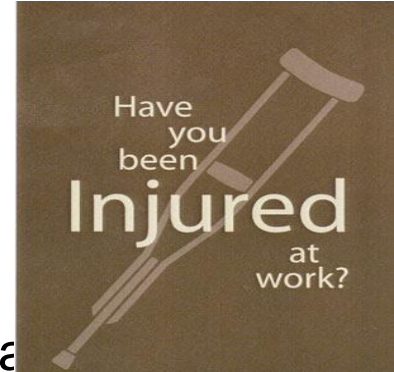
Firefighter Compensation Scheme – Service Injury

- A firefighter can receive injury benefits if they are permanently disabled by a ‘qualifying injury’.
- A ‘qualifying injury’ is:
 - an injury received by a person without his or her own default
 - in the exercise of his/her duties as a firefighter
 - unless it is wholly/mainly due to their own “serious and culpable negligence or misconduct”.
- Permanent disablement means “incapacity, occasioned by infirmity of mind or body, for the performance of duty” and which will continue at least to normal pension age (i.e. to age 55)
- **Note** – The Firefighter does not need to be a member of a Firefighter Pension Scheme to receive an Injury award.

The cost of the Injury Pension/Gratuity is met by the FRA not the Pension Scheme



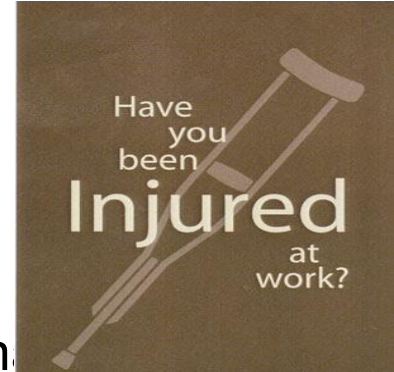
Retirement – Injury Gratuity



The injury gratuity is a lump sum based on a percentage of “average pensionable pay”. The percentage is decided according to the degree of disablement as follows:

Degree of Disablement	Gratuity
Slight Disablement (25% or less)	12.5% of average pensionable pay
Minor Disablement (more than 25% but not more than 50%)	25% of average pensionable pay
Major disablement (more than 50% but not more than 75%)	37.5% of average pensionable pay
Severe disablement (more than 75%)	50% of average pensionable pay

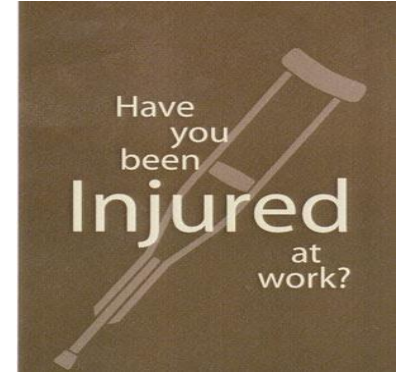
Retirement – Injury Pension



The injury pension is based on a percentage of “average pension pay”. The percentage is decided according to the degree of disablement and service as follows:

Degree of Disablement	Less than 5 years	5 or more but less than 15 yrs	15 or more but less than 25 yrs	25 years or more
Slight Disablement (25% or less)	15%	30%	45%	60%
Minor Disablement (more than 25% but not more than 50%)	40%	50%	60%	70%
Major disablement (more than 50% but not more than 75%)	65%	70%	75%	80%
Severe disablement (more than 75%)	85%	85%	85%	85%

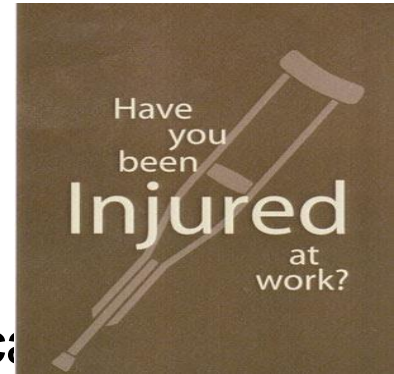
Retirement – Injury Pension



The injury pension is reduced by:

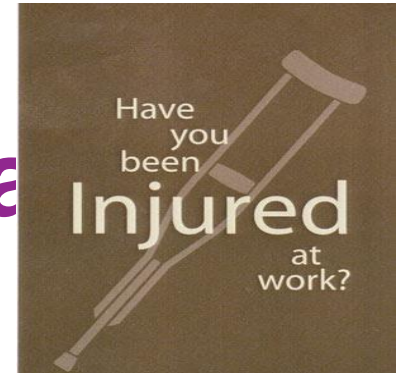
- 75% of any pension paid under the Firefighter Pension Scheme;
 - In the case of an optant out, 100% of any pension which would have been paid under the Firefighter Pension Scheme had the firefighter been a member.
 - State benefits which relate to the injury. The deductible benefits change from time to time.
-

Retirement – Medical Appeals



- An employee will be notified of the decision of the medical practitioner and the process for appeal if they are not satisfied with the opinion.
 - The appellant should advise the authority on what grounds they are appealing together with any supporting evidence.
 - Appeals based on non-medical nature are dealt with under the Internal Dispute Resolution Procedure.
 - Appeals based wholly or partly on a medical nature are dealt with by a board of medical referees.
 - Time limits for appeals that are wholly or partly on a medical nature 28 days from when the person is informed of the decision.
-

Retirement – Medical Appeal



- The members of the board of medical referees are determined by DCLG.
 - The cost to the Fire Authority for a medical appeal is £6550 but the costs may be recovered from the appellant if:
 1. The appellant withdraws the appeal within 21 working days of the hearing date.
 2. If the board reports they are of the opinion that the appeal was “frivolous, vexatious or manifestly ill founded”.
 - Decisions by the board are binding on the FRA.
-

Life Cover

	FPS 1992	FPS 2006	FPS MOD	FPS 2015
Death in Service lump sum?	2 x pensionable salary	3 x pensionable salary	2 x pensionable salary	3 x pensionable salary
Death in deferment lump sum?	No	No	No	No
Death on pension lump sum?	No	5 x pension less that already paid	No	5 x pension less that already paid
Death grant paid to?	Spouse/Civil Partner or to estate	Nominees or at FRA discretion if no nominee	Spouse/Civil Partner or to estate	Nominees or at FRA discretion if no nominee
Pensions paid to Spouse/Civil Partner?	Yes	Yes	Yes	Yes
Pensions paid to cohabiting partner?	No	Yes – if nominated	Yes – if nominated	Yes

Update on current and future issues

Current/Future Issues

- Protected Pension Age – Ombudsman determination
 - Tax changes, annual allowance and lifetime allowance
 - Age 18-20 issues and refund of contributions
 - Pension Scheme Transitional Protection Employment Tribunal Claim
 - Annual Benefit Statements and Scheme Valuation deadlines
-

PPA - Ombudsman

- Recent [Ombudsman's Determination PO-7096](#)
 - Employer of a member with a PPA should have provided information about the possible adverse tax consequences of becoming re-employed after starting to receive his pension.
-

Protected Pension Age (PPA)

- Only applies to those under age 55.
 - In 2010, changes to the Finance Act 2004 changed the normal minimum pension age from 50 to 55. Firefighters (and Police Officers) were given a protected pension age, meaning they could still retire early under the rules BUT that if they were re-employed unless they satisfied the employment conditions the benefits paid to them could become unauthorised payments and they would face a tax bill.
 - Tax bill could be taxation of lump sum, plus every pension instalment, until they reach age 55 up to 70%.
-

Re-employment Conditions

- the member not re-employed until at least 6 months after they became entitled to their benefits under the scheme
 - the member is re-employed within 6 months but after a break of at least 1 month but the pension scheme is a public service pension scheme and the member's benefits under the scheme include a scheme pension which is liable, until at least attaining age 55, to abatement whilst the member is so employed
 - the member is employed within 6 months but after a break of at least 1 month in an employment(s) which is(are) materially different in nature from the employment in which the member was employed immediately before becoming entitled to their benefits.
-

Other effects

- The effect of the determination is that Pension Boards and Scheme Managers should ensure that information on important tax changes is provided to employees who are or may be affected by them.
 - This is not just in relation to protected pension ages, but with regards possible tax charges that may be applied on exceeding annual allowance or lifetime allowances
 - [Link](#) to Eversheds document this view was based on:
-

Taxation Changes

- Lifetime Allowance
 - Annual Allowance
 - Pension Input Periods
 - Tapered between £40,000 & £10,000
-

Lifetime allowance

	Lifetime Allowance Limit
2006	£1.5 million
2011	£1.8 million
2013	£1.5 million
2014	£1.25 million
2016	£1 million

Lifetime allowance

- The LTA is being reduced from £1.25m to £1m from 6 April 2016.
 - Protection against this reduction will be available for members who've already built up large pensions in the Firefighters' Pension Scheme and elsewhere.
-

Lifetime allowance

	1992	2006	2015
Salary	£74,500	£83,500	£83,000
Pension	£49,666.67 (40/60*£74,500)	£55,666.67 (40/60*£83,500)	£55,611.39 (1/59.7 * £83,000 * 40)
Lump Sum	£258,266.70 (£49,666.67 * 0.25 * 20.80*)	£167,000 (£55,666.67 * 0.25 * 12)	£166,834.20 (£55,611.39 * 0.25 * 12)
Pension after lump sum	£37,250 (£49,666.67 * 0.75)	£41,750 (£55,666.67 * 0.75)	£41,708.54 (£55,611.39 * 0.75)
LTA	£1,003,267 (£37,250*20+ £258,266.70)	£1,002,000 (£41,750 * 20 +£167,000)	£1,001,005.00 (£41,708.54 * 20 + £166,834.20)

* Factor at age 55

Lifetime allowance

- From 6 April 2016, there'll be two new types of 'transitional protection':
 - Fixed Protection (FP16) – any member can apply for this protection, whether the benefits exceed £1million or not, provided there is no 'relevant benefit accrual'.
 - Individual Protection (IP16) – A member can apply for this protection if the value of benefits in registered pension schemes from all sources is between £1m and £1.25m as at 5 April 2016.
-

Lifetime allowance

- HMRC have produced three messages for
 - Scheme Members
 - Scheme Administrators
 - Independent Financial Advisors
 - These are available on line on the [knowledge hub](#) and also in appendix 1 of the [pension schemes newsletter 74](#).
-

Lifetime allowance

- **Employer Responsibilities**
 - Communication to employees.
 - Let members know that lifetime allowance protection regimes will be available to protect their pension savings.
-

Annual Allowance

- There are some significant changes to the Annual Allowance during the 2015/16 tax year, which include;
 - A. Tapering of the Annual Allowance between £40,000 and £10,000 for people with 'adjusted income' more than £150,000 for the 2016/17 tax year onwards.
 - B. Changes to the period over which the growth in pension is assessed for AA purposes, known as Pension Input Period.
-

A) Tapered Annual Allowance

- Applies to those with an adjustable income of over £150K.
 - Reduces the individual's Annual Allowance by £1 for every £2 that the individual's adjusted income exceeds £150K, to a maximum of a £30K reduction.
 - Individuals with a threshold income of less than £110k will be exempt from the changes
-

How the taper is applied

Adjusted Income	Threshold Income (exceeds £110k)	Tapered Reduction	Net Annual Allowance
£140,000	£116,200	< £150k – Taper does not apply	£40,000
£150,000	£124,500	< £150k – Taper does not apply	£40,000
£160,000	£132,800	$((£160,000 - £150,000) / 2) = £5000$	£35,000
£170,000	£141,100	$((£170,000 - £150,000) / 2) = £10000$	£30,000
£180,000	£149,400	$((£180,000 - £150,000) / 2) = £15000$	£25,000
£190,000	£157,700	$((£190,000 - £150,000) / 2) = £20000$	£20,000
£200,000	£166,000	$((£200,000 - £150,000) / 2) = £25000$	£15,000
£210,000	£174,300	$((£210,000 - £150,000) / 2) = £30000$	£10,000

Annual Allowance – Employer Responsibilities

- FRAs will need to determine the threshold income and adjusted income for employees.
 - It is the individuals' responsibility to provide all the information necessary to determine the adjusted income
 - Provide a pension savings statement by the 6th October following the end of the tax year for employees where; exceeded their annual allowance or where pensionable earnings exceed £110,000.
-

B) Pension Input Period

- The Pension Input Period (PIP) is the period used to assess a member's pension accrual in a given tax year against the Annual Allowance.
 - From 6 April 2016, all Pension Input Periods are required to be aligned with the tax year e.g. the Pension Input Period for 2015/16 will run from 1 April 2015 to 5 April 2016 (an extra 5 days).
-

Employer Responsibilities

- Under regulation 15A of the Registered Pension Schemes (Provision of Information) Regulations 2006, the employer must provide to the scheme administrator such information as will enable the scheme administrator to calculate the pension input amount, no later than 6th July following the tax year in which the pension input period ends.
-



18-20 Contributions Holiday

- Secretary of State will now allow members under the age of 50 who have accrued 30 years' service to take a contributions holiday from the time they attain 30 years' reckonable service until they reach age 50
 - This is only for those firefighters who would still be in the 1992 scheme on reaching 50
 - This will need amending regulations.
 - Timescales are unknown at this stage.
-



Transitional Protection Employment Tribunal Cases

- Preliminary hearing took place at London Central Employment Tribunal on 20 January to discuss case management issues and to set future hearing dates.
- 1) All preliminary matters have been listed for a 4 -day preliminary hearing on either [31 May-3rd June](#), or [30th August – 2 Sept.](#)
 - 2) The full hearing has been listed for [9 – 24 January 2017](#) (with a further 3 days for the tribunal to consider the case).
-

Annual Benefit Statements

1992 Scheme

2006 Scheme

Retained Modified Scheme

2015 Scheme



10 different types of member

	Protected	Tapered	Unprotected	Transitional
1992 Scheme	√	√	X	√
2006 Scheme (Standard member)	√	√	X	√
2006 Scheme (Special member)	√	√	X	√
2015 Scheme	x	x	√	√

Annual Benefit Statements & Valuation

- Very tight deadlines
 - Reliant on correct data from payroll
 - Employer webinar arranged in March – low take up!
-

Why?

- [Public Sector Pensions Act 2013 Section 14](#)
 - Defined benefit (DB) schemes must provide an ABS to all active members no later than 17 months after the scheme regulations establishing the scheme come into force, and annually thereafter.
-

Why?

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 - Defined benefit (DB) schemes must provide an ABS to all active members no later than 17 months after the scheme regulations establishing the scheme come into force, and annually thereafter.
-

Connected Schemes

- [Public Sector Pension Act 2013 Section 30](#)
 - The provisions of the act apply both to the new pension scheme and any connected scheme
 - 1992, 2006 and modified 2006 are all connected schemes.
-

TPR Annual Benefit Statement Guidance

What information to communicate

Annual benefit statements

The scheme manager must provide annual benefit statements to active members of DB public service pension schemes in accordance with any directions issued by HM Treasury or the Department of Finance and Personnel in Northern Ireland. The statement must include:

- ▶ a description of the benefits earned during a member's pensionable service
- ▶ any other information specified by HM Treasury or the Department of Finance and Personnel in Northern Ireland directions

The first statement must be provided within 17 months of the scheme regulations coming into force.

For more information, see our guide and checklist:

[Guide: issuing annual benefit statements for public service pension schemes \(PDF, 66kb, 14 pages\)](#)

[Checklist: preparing annual benefit statements for public service pension schemes \(PDF, 29kb, 2 pages\)](#)

Administrator Processes

Data Cleansing	Modified Retained Data Starters / Leavers Part Time Temporary absence
Receive end of year data from employers	
Check and query data received	
Load into system	Check matches leavers and starters Check matches temporary leave records

Administrator Processes

Run end of year processes to build 2015 scheme pension records	
Check and query results of end year	
Run annual benefit statements	Provisional Mode Actual Mode
Finalise formats and send to printers	

Timescales

April	Receive employer data
May	Check and Load data, Process any queries on data
June	Run end of year processes (requires software) Process queries and errors
July	Run statements in provisional and actual modes
August	Printing and issuing

Any questions





With thanks and credit to:

- AON
 - The Pensions Regulator
 - KPMG
 - Nottinghamshire Fire & Rescue
 - Greater Manchester Fire & Rescue
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Thank you for listening

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